

CLEVELAND PUBLIC LIBRARY
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CORPORATION FILE

CITY STORES COMPANY
and
Consolidated Statements with Subsidiary Companies

Annual Report
to the
Stockholders

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JANUARY 31, 1945

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OFFICERS

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<i>Transfer Agent</i>	CENTRAL HANOVER BANK & TRUST CO. 70 Broadway, New York, N. Y.
<i>Registrar</i>	THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK 11 Broad Street, New York, N. Y.
<i>Auditors</i>	ERNST & ERNST 19 Rector Street, New York, N. Y.

OPERATIONS OF CITY STORES COMPANY
and
SUBSIDIARY COMPANIES
FOR FISCAL YEARS ENDED JANUARY 31st

	1945	1944	1943	1942	1941
Consolidated Net Sales.....	<u>\$76,721,832</u>	<u>\$67,898,670</u>	<u>\$60,623,556</u>	<u>\$53,872,064</u>	<u>\$45,222,974</u>
NET PROFIT					
(After elimination of inter-company dividends but before income taxes and other charges shown below)					
Lit Brothers and Subsidiary Companies.....	\$ 4,845,370	\$ 3,761,619	\$ 2,874,782	\$ 2,192,744	\$ 1,351,006
Maison Blanche Company and Maison Blanche Realty Company	2,093,437	1,819,754	1,242,608	645,752	526,234
Loveman, Joseph & Loeb and Home Finance Corporation.....	1,452,364	1,084,667	664,278	408,194	303,176
B. Lowenstein & Bros., Inc., and Lowenstein's Home Service, Inc.	1,084,764	891,504	541,111	262,329	178,642
Kaufman-Straus Co., Inc. and Homecraft Finance Corporation of Louisville.....	537,589	413,172	268,672	149,175	56,084
R. H. White Corporation and R. H. White Realty Company.....	*20,655	—	—	—	—
	<u>\$10,034,179</u>	<u>\$ 7,970,716</u>	<u>\$ 5,591,451</u>	<u>\$ 3,658,194</u>	<u>\$ 2,415,142</u>
<i>Less:</i>					
Provision for Federal and State Income Taxes.....	\$ 7,444,440	\$ 5,495,666	\$ 3,677,860	\$ 1,534,105	\$ 581,307
Parent Company expenses, including interest charges, less income other than dividends	20,639	134,952	213,916	268,230	318,033
Minority Interest Proportion....	437,462	470,586	366,988	447,684	375,840
	<u>\$ 7,902,541</u>	<u>\$ 6,101,204</u>	<u>\$ 4,258,764</u>	<u>\$ 2,250,019</u>	<u>\$ 1,275,180</u>
Net Profit Applicable to City Stores Company.....	<u>†\$ 2,131,638</u>	<u>†\$ 1,869,512</u>	<u>\$ 1,332,687</u>	<u>\$ 1,408,175</u>	<u>\$ 1,139,962</u>

*Covers period from December 19, 1944 to January 31, 1945.

†Before making provision for post war contingencies.

To the Stockholders of

CITY STORES COMPANY:

The Annual Report of your Company for the fiscal year ended January 31, 1945 is presented herewith, together with the report of its independent auditors, Messrs. Ernst & Ernst. This report includes balance sheets of City Stores Company individually and consolidated with subsidiaries, separate balance sheets of subsidiaries; also statements of profit and loss and surplus of City Stores Company individually and consolidated with subsidiaries.

SALES AND EARNINGS

Sales of the department stores of your Company for the fiscal year ended January 31, 1945 amounted to \$76,721,832 as compared with \$67,898,670 for the preceding year, an increase of 13%. The figures for the past year include sales of our R. H. White store in Boston, Mass., only for the period from date of acquisition on December 19, 1944 to January 31, 1945, in the amount of \$1,440,763. Annual sales of that store for the 12 months ended on January 31, 1945 aggregated \$13,380,415.

Earnings of your Company and subsidiaries consolidated for the fiscal year ended January 31, 1945 after taxes on income, amounted to \$2,131,638, as compared with \$1,869,512 for the previous year.

Several of the Company's subsidiaries have provided reserves for post war contingencies, which reserve now aggregates \$620,000. This amount includes a reserve of \$170,000 for the fiscal year ended January 31, 1945, and \$450,000 for the previous year, of which City Stores Company's proportion amounts to \$116,632 and \$355,815, respectively. After such special reserves the consolidated amount transferred to earned surplus was \$2,015,006 for the past fiscal year, compared with \$1,513,697 for the preceding one.

Provision for depreciation and amortization of buildings, fixtures, equipment and improvements has been charged against earnings during the past fiscal year in accordance with the Company's consistent practice, the amounts being \$670,762, as compared with \$616,380 for the preceding year.

For the information of stockholders there is given below a five-year summary of consolidated sales, taxes paid and earnings applicable to City Stores Company:

Year Ended Jan. 31st	Sales	Federal and State Income Taxes	Net Earnings
1945.....	\$76,721,832	\$7,444,440	\$2,131,638*
1944.....	67,898,670	5,495,666	1,869,512*
1943.....	60,623,556	3,677,860	1,332,687
1942.....	53,872,064	1,534,105	1,408,175
1941.....	45,222,974	581,307	1,139,962

(*From such earnings provisions for post war contingencies have been made by subsidiaries, of which City Stores Company's proportion amounts to \$116,632 for the fiscal year ended January 31, 1945 and \$355,815 for the fiscal year ended January 31, 1944.)

The consolidated figures for earnings include the results of operations of our new R. H. White store in Boston only for the period of acquisition on December 19, 1944 to January 31, 1945.

Stockholders will observe from the accompanying comparative statement of profit and loss that consolidated profits of the companies in your group before taxes on income increased by \$2,177,776, which increase was offset to the extent of 89% because of heavier federal and state taxes on income.

Consolidated earnings applicable to shares of stock of City Stores Company outstanding at

January 31, 1945, before provision for post war contingencies, are equal to \$1.32 per share of combined Class A and Common Stock. Similar calculations for preceding years would not be comparable by reason of the change in capitalization in August 1944.

DIVIDENDS

On November 1, 1944 City Stores Company resumed the payment of dividends on its capital stock with the payment of a dividend of 12½ cents per share on the Class A Stock and on the Common Stock. Similar dividends were paid on February 1, 1945 and further dividends at the same rate were declared payable on May 1, 1945.

The Class A Stock of the Company is entitled to receive, in preference to the Common Stock, when and as declared by the Board of Directors, out of surplus or net profits of the Company, cumulative dividends at the rate of 6% per annum (or 30 cents per share per annum), after which the Common Stock shall receive a similar dividend. Thereafter, the Class A and Common Stocks participate equally in any further dividends, share and share alike.

FINANCIAL CONDITION

Net current assets of the consolidated companies at January 31, 1945 were \$14,976,241, or \$1,643,855 greater than they were a year ago. Consolidated earned surplus likewise showed a substantial increase, being \$9,687,666 or \$1,687,115 over the amount at the beginning of the past fiscal year.

Substantial progress was made in the reduction of indebtedness and mortgage obligations of City Stores Company and subsidiaries during the past fiscal year. Excluding obligations which were incurred for the purchase of our new R. H. White business and the purchase of the Widener Building in Philadelphia by WFIL Broadcasting Company, a subsidiary of Lit Brothers, reductions in indebtedness and mortgage obligations during the year were as follows:

City Stores Company	\$2,256,333
Loveman, Joseph & Loeb	276,065
Maison Blanche Realty Company	135,000
City Stores Mercantile Company, Inc.	76,930
Lit Brothers	707,019
	<u>\$3,451,347</u>

The above noted reductions in debt include elimination of all obligations of the Company secured by pledge of stocks in subsidiaries. On January 31, 1944 there were outstanding \$2,345,000 of Ten-Year 6% Lit Stock Collateral Convertible Notes which have been retired; \$345,000 of this was paid and the balance of \$2,000,000 was converted in accordance with conversion rights into 400,000 shares of 6% Cumulative Class A Participating Stock, par value \$5 per share. The Indenture covering the Ten-Year 6% Lit Stock Collateral Convertible Notes was cancelled and all the securities previously deposited thereunder were returned to the Company.

Other changes in the long term obligations of City Stores Company consisted of the payment of a secured note in the amount of \$333,333 to The Chase National Bank of the City of New York, which payment was anticipated on August 1, 1944, and the collateral held thereunder returned to the Company. The note of \$1,078,000, held by Bankers Securities Corporation and due on February 1, 1946, was retired on August 1, 1944 by the payment of \$78,000 and the issuance of an unsecured note in the amount of \$1,000,000. This new unsecured note provides for semi-annual principal payments of \$100,000 beginning February 1, 1946 until maturity on August 1, 1950.

To assist in the financing of these changes and for other corporate purposes, \$500,000 was

borrowed from The Chase National Bank of the City of New York on two unsecured one-year notes, each in the amount of \$250,000 maturing on August 1, 1945.

During December your Company acquired the business of the R. H. White store of Boston, Mass. To consummate this purchase, the Company borrowed \$3,400,000. Two unsecured notes were executed, one note in the amount of \$2,500,000 to The Chase National Bank of the City of New York, providing for annual payments of principal of \$416,000 from December 15, 1945 to December 15, 1949, and a final payment of \$420,000 on December 15, 1950; the second note in the amount of \$900,000 to Bankers Securities Corporation due December 15, 1950, and subordinated to the note to The Chase National Bank.

With the amount thus borrowed, your Company purchased at par \$2,500,000 of the 6% Cumulative Preferred Stock of R. H. White Corporation, being the only outstanding Preferred Stock of the Company; and also purchased at par \$900,000 out of a total issue of \$1,000,000 of its Common Stock. The balance of \$100,000 of this issue was purchased at par by Bankers Securities Corporation.

NEW MATTERS

Your Company, on December 19, 1944, purchased the merchandise, accounts receivable, fixtures and equipment, and store property in Boston and warehouse in Cambridge, used and owned by the R. H. White Company in the conduct of its department store. As this store has operated since 1858 and established good will throughout New England, your Directors and Officers regard the acquisition of this unit as advantageous to your Company. The management in command of the business at the time of its acquisition was continued by us, and we welcome them into our group as associates.

This purchase was made by a new subsidiary, formed under the name of R. H. White Corporation. This Corporation, in turn, organized the R. H. White Realty Company, a wholly owned subsidiary, which holds title to the acquired real estate.

During the year, B. Lowenstein & Bros., Inc., organized Lowenstein's Home Service, Inc. (a wholly owned subsidiary) which acquired a five-story fireproof building on Union Avenue, situated about three blocks from the main store, for the purpose of providing additional service and marketing facilities.

Your Company has joined the Affiliated Retailers, Inc., organized by a group of well known department stores to do a creative job in the buying, research and development of merchandise. It is contemplated that our membership in this group will materially strengthen the buying power of your company.

There is considerable work that remains to be done, such as the establishment of branch stores; the increasing of our facilities at Birmingham and at Louisville, greater utilization of the property owned by the Maison Blanche Company adjoining their main store, and the reconditioning of the fourth and fifth floors of the R. H. White store in Boston. We regard all of this as unfinished work interrupted by war. As soon as it is proper and feasible to do so, it is our intention actively to carry out these plans.

Scarcities of merchandise and personnel continued during the past year. Government restrictions and regulations necessary to the war effort made retailing difficult for us and for our customers. The results obtained have been due in large measure to the active and loyal work of our staff and good will of our customers.

For the Directors.

ALBERT M. GREENFIELD,
Chairman of the Board.

SAUL COHN,
President.

CITY STORES COMPANY AND
CONSOLIDATED
JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$ 9,437,810.33
United States Government securities—at cost and accrued interest.....	2,302,501.30
Accounts receivable from customers (including \$1,801,662.07 of installment accounts) less reserves of \$617,172.66.....	7,131,822.73
Accounts and notes receivable from vendors, tenants, etc., less reserve of \$10,000.00.....	198,875.96
Merchandise inventories, less reserves of \$372,370.68 as shown in subsidiary companies' balance sheets— Note A.....	7,460,987.10
TOTAL CURRENT ASSETS.....	<u>\$26,531,997.42</u>

INVESTMENTS AND OTHER ASSETS:

Investments:

Capital stock of a parent company (approximate market value \$420,000.00)—at cost.....	\$ 180,100.00	
Mortgages receivable (including \$740,502.50 purchased through a parent company or other affiliates).....	799,380.93	
Stock of City Stores Company (520 shares of common stock owned by subsidiaries).....	4,730.01	
Sundry investments, less reserves of \$12,001.59.....	106,424.78	\$ 1,090,635.72
Officers, employees and sundry notes and accounts receivable, deposits, etc. (\$32,000.00 due from officers of a subsidiary company partially secured by capital stock of a parent company).....		154,790.85
Claims against closed banks, less reserves of \$14,585.54.....		23,959.53
Cash surrender value of life insurance.....		45,691.71
Post war refund of excess profits taxes—estimated.....	373,882.57	1,688,960.38

LAND, BUILDINGS, EQUIPMENT AND IMPROVEMENTS—NOTE B:

Land.....		\$12,969,285.33	
Buildings, fixtures and equipment.....	\$19,320,427.29		
Less reserves for depreciation.....	8,240,434.88	11,079,992.41	
Improvements to leased properties.....	\$ 571,603.30		
Less reserves for amortization.....	279,962.25	291,641.05	24,340,918.79

GOOD WILL (carried on books of subsidiaries in total amount of \$2,792,158.27).....	1.00
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DEFERRED CHARGES:

Inventories of supplies, prepaid insurance, unamortized mortgage expense, prepaid taxes and expenses....	578,175.60
	<u>\$53,140,053.19</u>

SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1945

LIABILITIES

CURRENT LIABILITIES:

Notes payable:		
Bank—for borrowed money.....	\$ 500,000.00	
Bank loan installment due in 1945—Note C.....	416,000.00	
Other.....	450,000.00	\$ 1,366,000.00
First mortgage installments due in 1945.....		434,451.31
Accounts payable for merchandise, etc.....		4,753,683.76
Dividends—payable February 1, 1945:		
By parent company.....	\$ 201,054.98	
By a subsidiary company.....	56,199.28	257,254.26
Accrued salaries, wages, taxes, interest, etc.....		1,019,183.95
Federal and state taxes on income—estimated—Notes A and G.....	\$ 7,847,228.79	
Less United States tax notes purchased for payment of such taxes when due.....	4,122,046.00	3,725,182.79
TOTAL CURRENT LIABILITIES.....		\$11,555,756.07

LONG TERM OBLIGATIONS:

Of parent company:		
Note payable to bank—3% (payable in five equal serial installments of \$416,000.00 on the 15th day of December in each year commencing December 15, 1945 and \$420,000.00 on December 15, 1950)—Note C.....	\$ 2,500,000.00	
Less installment included in current liabilities above.....	416,000.00	\$ 2,084,000.00
Notes payable to Bankers Securities Corporation, a parent company:		
3%—maturing serially in ten equal installments of \$100,000.00 on February 1, and August 1, in each year, commencing February 1, 1946 and thereafter to August 1, 1950.....	\$ 1,000,000.00	
4%—payable December 15, 1950 (subordinate to the note payable to bank above).....	900,000.00	1,900,000.00
		\$ 3,984,000.00
Of subsidiaries:		
First mortgages.....	\$10,329,410.81	
Less installments included in current liabilities above.....	434,451.31	9,894,959.50
Notes payable to banks maturing serially 1946-47.....	500,000.00	
Paving assessments due subsequently to January 31, 1946.....	1,185.12	14,380,144.62

RESERVES:

For redemption of trading stamps, self-insurance, etc.....	\$ 1,050,006.58	
For post war contingencies.....	620,000.00	
For restoration of leased property.....	441,899.00	
For income taxes on installment sales gross profit (deferred for tax purposes)—estimated.....	285,000.00	2,396,905.58

DEFERRED INCOME:

Unrealized gross profit and carrying charges on installment sales—Note D.....		131,112.88
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MINORITY INTERESTS:

Preferred stock of subsidiary companies outstanding—at par.....	\$ 3,023,664.00	
Accrued undeclared dividends to January 31, 1945.....	773,162.85	
Common stock of subsidiary companies.....	418,062.00	
Surplus applicable thereto.....	1,187,277.76	5,402,166.61

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$5.00 per share:		
Class A—6% Cumulative and Participating:		
700,000 shares authorized.....	\$ 3,500,000.00	
300,000 shares unissued.....	1,500,000.00	
400,000 shares issued and outstanding.....		\$ 2,000,000.00
Common:		
1,900,000 shares authorized.....	\$ 9,500,000.00	
689,957 8/12 shares unissued.....	3,449,788.34	
1,210,042 4/12 shares issued.....	\$ 6,050,211.66	
1,641 4/12 shares in treasury.....	8,206.66	
1,208,401 shares outstanding.....		6,042,005.00
		\$ 8,042,005.00
Surplus:		
Capital surplus.....	\$ 1,544,296.03	
Earned surplus (since February 1, 1935)—Note E.....	9,687,666.40	11,231,962.43
		19,273,967.43
		<u>\$53,140,053.19</u>

CITY STORES COMPANY AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED BALANCE SHEET

JANUARY 31, 1945

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost, except as to a newly acquired subsidiary company, the inventory (\$1,802,098.12) of which is stated on the basis of cost or market, whichever is lower as determined by the retail inventory method. The basis of "last-in, first-out," which has been adopted by the Company for the past four years had the effect of reducing the amount stated for inventories at January 31, 1945 by \$1,265,490.93, and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$10,400.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, except for the newly acquired subsidiary as stated above, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Stated at cost to subsidiary companies paid for either in cash or in capital stock at time of organization, except Kaufman-Straus Company, Inc., where furniture, fixtures, improvements to leased buildings, etc., are stated at sound value as determined in January, 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation, and less subsequent write-down in the case of Kenville Realty Company.

NOTE C—Under the provisions of the loan agreement, City Stores Company has the right on any interest payment date, upon thirty days written notice to the bank, to prepay as a whole the then last maturing installment or installments of principal of the note upon payment of a premium of $\frac{1}{4}$ of 1% of the principal amount so prepaid. The Company covenants, among other things, that it will maintain consolidated current assets in excess of consolidated current liabilities by at least \$11,000,000.00 and in a ratio of at least two to one.

NOTE D—Deferred income is comprised of (1) carrying charges not earned at January 31, 1945 on customers' installment sales as to two subsidiaries and (2) unearned carrying charges and unrealized gross profit on installment sales as to three subsidiaries.

NOTE E—Including \$8,206.66 reserved for common stock held in treasury at January 31, 1945.

NOTE F—Reference is made to the pertinent notes appearing on the accompanying balance sheets of City Stores Company and subsidiary companies.

NOTE G—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including matters referred to in Note A above, which involves total tax liability of approximately \$854,800.00 for the four fiscal years ended January 31, 1945.

CITY STORES COMPANY AND SUBSIDIARY COMPANIES
COMPARATIVE CONSOLIDATED PROFIT AND LOSS STATEMENT
THREE YEARS ENDED JANUARY 31, 1945

	Year Ended January 31, 1945	Year Ended January 31, 1944	Year Ended January 31, 1943
NET SALES, including sales of leased departments.....	\$76,721,832	\$67,898,670	\$60,623,556
COST OF GOODS SOLD.....	49,139,194	43,612,278	38,793,798
GROSS PROFIT ON SALES.....	\$27,582,638	\$24,286,392	\$21,829,758
INCOME FROM BROADCASTING AND ADJUSTMENTS FOR INSTALLMENT ACCOUNTS.....	981,739	706,365	753,249
TOTAL GROSS PROFIT.....	\$28,564,377	\$24,992,757	\$22,583,007
SELLING, ADMINISTRATIVE AND GENERAL EXPENSES....	17,923,507	16,408,498	15,751,192
	\$10,640,870	\$ 8,584,259	\$ 6,831,815
OTHER INCOME:			
Interest.....	159,446	126,278	61,980
Rentals.....	420,823	202,963	199,151
Miscellaneous.....	230,699	292,539	133,346
TOTAL OTHER INCOME.....	\$ 810,968	\$ 621,780	\$ 394,477
	\$11,451,838	\$ 9,206,039	\$ 7,226,292
OTHER DEDUCTIONS:			
Interest on City Stores Company's long term ob- ligations.....	139,298	240,875	293,460
Interest on mortgages, notes payable, etc.....	373,498	383,386	450,335
Provision for depreciation and amortization.....	670,762	616,380	608,234
Provision for sundry charges, doubtful accounts, loss on disposal of equipment, etc. (net).....	254,740	129,634	496,728
TOTAL OTHER DEDUCTIONS.....	\$ 1,438,298	\$ 1,370,275	\$ 1,848,757
NET PROFIT BEFORE PROVISION FOR TAXES ON INCOME.....	\$10,013,540	\$ 7,835,764	\$ 5,377,535
FEDERAL AND STATE TAXES ON INCOME—ESTIMATED:			
Provision for current year:			
Federal normal income tax and surtax.....	957,105	1,029,671	978,643
Federal excess profits tax.....	6,211,400*	4,285,580*	2,582,690*
State income tax.....	212,292	189,092	106,158
Adjustments of prior years.....	63,643	(8,677)	10,369
	\$ 7,444,440	\$ 5,495,666	\$ 3,677,860
	\$ 2,569,100	\$ 2,340,098	\$ 1,699,675
Less amount applicable to preferred and common stocks of subsidiary companies not owned by City Stores Company.....	437,462	470,586	366,988
PROFIT APPLICABLE TO CITY STORES COMPANY BE- FORE MAKING PROVISION FOR POST WAR CON- TINGENCIES.....	\$ 2,131,638	\$ 1,869,512	\$ 1,332,687
PROVISION FOR POST WAR CONTINGENCIES:			
After deducting portions applicable to minority in- terests (\$94,185 in 1944 and \$53,368 in 1945).....	116,632	355,815	—0—
BALANCE TRANSFERRED TO EARNED SURPLUS.....	\$ 2,015,006	\$ 1,513,697	\$ 1,332,687
*After deducting post war and debt retirement credits of	\$ 658,200	\$ 473,620	\$ 287,510

NOTE—The above statement of profit and loss is subject to the pertinent notes on the financial statements of the respective companies for the three fiscal years.

CITY STORES COMPANY AND SUBSIDIARY COMPANIES

CONSOLIDATED SURPLUS

YEAR ENDED JANUARY 31, 1945

CAPITAL SURPLUS:

Balance at February 1, 1944..... \$ 1,283,032.82

ADD

Transfer from minority interest in preferred stock of subsidiaries the amount of accrued undeclared dividends on such stock acquired during year (applicable to periods prior to reorganization of City Stores Company on January 31, 1935)..... \$ 91,693.57

Adjustment for cash and capital shares returned by fiscal agent to Company on expiration of right on May 1, 1944 of stockholders to exchange old common shares for new common shares..... 7,062.40

Excess of par value over cost of preferred stocks of subsidiaries purchased during year..... \$145,293.84

Less portion applicable to minority interest..... 45,595.15 99,698.69

Restoring to surplus balance of amount provided by a subsidiary in 1932 for estimated loss on claims against closed banks (final determination of such losses to extent of \$136,037.98 being charged to profit and loss in fiscal year ended January 31, 1945)..... \$130,867.26

Less portion applicable to minority interest..... 41,083.16 89,784.10 288,238.76

\$ 1,571,271.58

DEDUCT:

Decrease in surplus of a subsidiary as of date of acquisition, June 21, 1941, arising from prior period depreciation adjustments..... \$ 5,233.51

Less portion applicable to minority interest..... 1,642.96 \$ 3,590.55

Excess of purchase price over amount represented by par value of preferred shares of subsidiary companies acquired during year..... 23,385.00 26,975.55

CAPITAL SURPLUS—BALANCE—JANUARY 31, 1945..... \$ 1,544,296.03

EARNED SURPLUS:

Balance at February 1, 1944..... \$ 8,000,551.27

ADD:

Consolidated net profit applicable to City Stores Company..... \$2,015,005.94

Transfer from minority interest in preferred stock of subsidiaries the amount of accrued undeclared dividends on such stock acquired during year (applicable to periods subsequent to reorganization of City Stores Company on January 31, 1935)..... 74,154.25 2,089,160.19

\$10,089,711.46

DEDUCT:

Dividends declared:

On Class A Stock—25c per share..... \$ 100,000.00

On Common Stock—25c per share..... 302,045.06 402,045.06

EARNED SURPLUS—BALANCE—JANUARY 31, 1945..... 9,687,666.40

TOTAL SURPLUS—BALANCE—JANUARY 31, 1945..... \$11,231,962.43

CITY STORES COMPANY (Individually)

BALANCE SHEET

JANUARY 31, 1945

ASSETS

INVESTMENTS IN AND ACCOUNTS RECEIVABLE FROM SUBSIDIARY COMPANIES:

Investments in securities—Note A:

City Store Company proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1935, plus (a) \$33,038.35 representing cancellation of subsidiary company's indebtedness to City Stores Company at January 31, 1937 (b) cost of capital stock of a subsidiary company acquired in 1944 representing City Stores Company proportion of its net tangible assets at date of acquisition and (c) additional investment in capital stock of other subsidiary at cost.....

\$17,134,202.07

18,958.45

Accounts receivable.....

120,240.00

Dividend receivable.....

\$17,273,400.52

CURRENT ASSETS:

Cash.....

301,632.38

OTHER ASSETS:

Sundry accounts receivable.....

869.75

EQUIPMENT—AT COST:

Furniture and fixtures.....

\$ 4,373.63

Less reserve for depreciation.....

996.91

3,376.72

DEFERRED CHARGES:

Prepaid tax, insurance and expenses.....

1,947.40

\$17,581,226.77

LIABILITIES

CURRENT LIABILITIES:

Notes payable:

Bank—for borrowed money.....

\$ 500,000.00

Bank loan installment due in 1945.....

416,000.00

\$ 916,000.00

Accounts payable:

Subsidiary companies.....

\$ 59,317.74

For expenses, etc.....

5,577.89

64,895.63

Accrued accounts:

Interest on long term obligations.....

\$ 13,966.67

Salaries, taxes, etc.....

18,254.01

32,220.68

Dividend—payable February 1, 1945.....

201,054.98

TOTAL CURRENT LIABILITIES.....

\$ 1,214,171.29

LONG TERM OBLIGATIONS:

Note payable to bank—3% (payable in five equal serial installments of \$416,000.00 on the 15th day of December in each year commencing December 15, 1945 and \$420,000.00 on December 15, 1950)—Note B..

\$2,500,000.00

Less installment included in current liabilities.....

416,000.00

\$ 2,084,000.00

Notes payable to Bankers Securities Corporation, a parent company:

3%—maturing serially in ten equal installments of \$100,000.00 on February 1 and August 1 in each year, commencing February 1, 1946, and thereafter to August 1, 1950.....

\$1,000,000.00

4%—payable December 15, 1950 (subordinate to the note payable to bank above).....

900,000.00

1,900,000.00

3,984,000.00

CAPITAL STOCK AND SURPLUS:

Capital stock:

Class A—(6% cumulative and participating—par value \$5.00 per share):

700,000 shares authorized.....

\$3,500,000.00

300,000 shares unissued.....

1,500,000.00

400,000 shares issued and outstanding.....

\$ 2,000,000.00

Common—par value \$5.00 per share:

1,900,000 shares authorized.....

\$9,500,000.00

689,957 8/12 shares unissued.....

3,449,788.34

1,210,042 4/12 shares issued.....

\$6,050,211.66

1,641 4/12 shares in treasury.....

8,206.66

1,208,401 shares outstanding.....

6,042,005.00

\$ 8,042,005.00

Surplus:

Capital surplus.....

\$1,060,685.45

Earned surplus (since February 1, 1935)—Notes C and D.....

3,280,365.03

4,341,050.48

\$12,383,055.48

\$17,581,226.77

CONTINGENT LIABILITIES:

Note D

The notes on following page are an integral part of this balance sheet.

NOTES TO BALANCE SHEET OF CITY STORES COMPANY (Individually)

JANUARY 31, 1945

NOTE A—City Stores Company's proportion of net tangible assets of subsidiary companies based on their balance sheets at January 31, 1945 amounted to \$24,025,113.02.

NOTE B—Under the provisions of the loan agreement, City Stores Company has the right on any interest payment date, upon thirty days written notice to the bank, to prepay as a whole the then last maturing installment or installments of principal of the note upon payment of a premium of $\frac{1}{4}$ of 1% of the principal amount so prepaid. The Company covenants, among other things, that it will maintain consolidated current assets in excess of consolidated current liabilities by at least \$11,000,000.00 and in a ratio of at least two to one.

NOTE C—Including \$8,206.66 reserved for common stock held in treasury.

NOTE D—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

CITY STORES COMPANY (Individually)
PROFIT AND LOSS STATEMENT
YEAR ENDED JANUARY 31, 1945

INCOME:

Dividends from subsidiary companies—cash	\$985,452.75	
Payments by subsidiary companies for management, advisory and sales service, less net amounts transferred to City Stores Mercantile Com- pany, Inc. (a wholly owned subsidiary) for buying services	243,166.01	
Miscellaneous	7,500.00	\$1,236,118.76

DEDUCTIONS:

General expenses	\$128,542.02	
Interest on long term obligations:		
Ten Year 6% Lit Stock Collateral Convertible Notes (Redeemed August 1, 1944)	\$66,952.66	
Notes payable	72,345.74	
Sundry	31.33	139,329.73
		267,871.75

PROFIT BEFORE TAXES ON INCOME

\$ 968,247.01

FEDERAL NORMAL INCOME TAX AND SURTAX—Note A:

Additional assessment—year 1942

425.33

NET PROFIT FOR YEAR

\$ 967,821.68

NOTE A—No provision is required for federal taxes on income of the current year.

CAPITAL SURPLUS

Balance at February 1, 1944	\$1,053,623.05
Add adjustment for cash and capital shares returned by fiscal agent to Company on ex- piration of right on May 1, 1944 of stockholders to exchange old common shares for new common shares	7,062.40
BALANCE AT JANUARY 31, 1945	<u>\$1,060,685.45</u>

EARNED SURPLUS

Balance at February 1, 1944	\$2,714,653.42
Add net profit for year as above	967,821.68
	<u>\$3,682,475.10</u>

DEDUCT DIVIDENDS DECLARED:

On Class A stock—25c per share	\$100,000.00	
On common stock—25c per share	302,110.07	402,110.07

BALANCE AT JANUARY 31, 1945

\$3,280,365.03

ASSETS

CURRENT ASSETS:

Cash.....		\$ 4,449,410.06
United States Government securities—at cost and accrued interest.....		1,178,884.75
Accounts receivable:		
Customers' charge accounts.....	\$2,447,014.79	
Customers' installment accounts.....	1,139,779.59	
Creditors' debit balances.....	80,774.87	\$ 3,667,569.25
Less reserve.....	253,000.00	3,414,569.25
Merchandise inventories—Note A.....		2,489,853.20
TOTAL CURRENT ASSETS.....		\$11,532,717.26

INVESTMENTS AND OTHER ASSETS:

Securities—at cost:		
Capital stock of a parent company (approximate market value \$360,000.00).....	\$159,100.00	
Sundry investments.....	42,399.95	\$ 201,499.95
Mortgages receivable (including \$740,502.50 purchased through a parent company or other affiliates).....	799,380.93	
Sundry accounts receivable, deposits and cash in closed banks....	69,525.47	
Officers' notes receivable (partially secured by capital stock of a parent company).....	32,000.00	
Post war refund of excess profits tax—estimated.....	39,132.37	1,141,538.72

PROPERTY, PLANT AND EQUIPMENT—Note B:

Land, buildings, fixtures and equipment—at cost.....	\$20,603,942.10	
Less reserves for depreciation.....	4,818,137.34	15,785,804.76

GOOD WILL.....		1,046,783.23
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DEFERRED CHARGES:

Unamortized mortgage expense, inventory of supplies, prepaid insurance, taxes and expenses.....		197,964.80
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NOTE A—Inventories of merchandise on hand and in transit are valued by the retail inventory method using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such determination of cost had the effect of reducing the amount stated for inventories at January 31, 1945 by \$557,187.37, as compared with a reduction of \$594,940.44 at January 31, 1944. The resulting effect on net profits (after taxes on income) for the year ended January 31, 1945, is to increase such net profits by approximately \$5,500.00. The provision for federal taxes on income has been made on the basis of using the principle "last-in, first-out" for inventory valuation which is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Stated at cost paid for in stock at time of organization, plus subsequent additions at cost and less provision for accruing depreciation.

NOTE C—An agreement in connection with issuance of the serial notes provides, among other things, including provisions respecting net current assets, that while any of such notes are outstanding the Company will not declare or pay any dividends (other than dividends payable in stock of the Company), purchase, redeem or otherwise retire any shares of any class of its stock or make any other distributions in respect thereto, which will reduce earned surplus of the Company below \$3,000,000.00.

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1945 amounted to \$2,161,381.18 of which \$1,472,940.00 is applicable to preferred stock owned by City Stores Company.

NOTE E—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including the matter referred to under Note A above which involves a tax liability of approximately \$418,800.00 for the four fiscal years ending January 31, 1945.

\$29,704,808.77

SUBSIDIARY COMPANIES

BALANCE SHEET

31, 1945

LIABILITIES

CURRENT LIABILITIES:

First mortgage installments due in 1945.....	\$	331,436.74	
Accounts payable.....		1,918,964.00	
Dividend payable on preferred 6% stock—paid February 1, 1945.....		176,439.28	
Accrued accounts.....		112,025.94	
Federal, state and local taxes—estimated—Note E.....	\$	3,849,567.08	
Less United States Tax Notes purchased for payment of such taxes when due.....		1,998,650.00	1,850,917.08

TOTAL CURRENT LIABILITIES..... \$ 4,389,783.04

RESERVES:

For redemption of trading stamps.....	\$	715,422.61	
For income taxes on installment sales gross profit (deferred for tax purposes)—estimated.....		285,000.00	
For self-insurance.....		72,871.10	
For post war contingencies.....		470,000.00	1,543,293.71

SERIAL NOTES PAYABLE TO BANK—Note C:

Due \$250,000.00 annually 1946 and 1947.....			500,000.00
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FIRST MORTGAGES ON LAND AND BUILDINGS:

Due semi-annually 1945 to 1955.....	\$4,726,000.25		
Payable by subsidiaries:			
Due quarterly 1945 to 1954.....	632,240.60		
Due quarterly 1945 to 1955.....	1,400,000.00	\$ 6,758,240.85	
Less amounts due currently.....		331,436.74	6,426,804.11

DEFERRED INCOME:

Prepaid rents and unearned carrying charges on installment sales.....			44,450.95
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CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred 6% cumulative, par value \$100.00 per share; redeem- able at \$105.00 per share—Note D:			
Authorized and issued 120,000 shares; outstanding 88,219.64 shares after deducting 31,780.36 shares in treasury.....		\$ 8,821,964.00	

Common, no par value:

Authorized and issued 1,000,000 shares; outstanding 999,145 shares after deducting 855 shares in treasury.....		999,145.00	
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TOTAL CAPITAL STOCK..... \$ 9,821,109.00

Surplus:

Capital.....	\$	340,236.17	
Earned—Notes D and E.....		6,639,131.79	6,979,367.96
			16,800,476.96
			<u>\$29,704,808.77</u>

MAISON BLANCHE COMPANY

BALANCE SHEET

JANUARY 31, 1945

ASSETS

CURRENT ASSETS:

Cash.....	\$1,232,252.81
United States Government securities at cost and accrued interest.....	313,485.00
Accounts receivable—trade (including \$92,505.96 of installment accounts) less reserve of \$101,587.70 for doubtful.....	1,010,067.54
Merchandise inventories, less reserve of \$40,000.00—Note A.....	1,255,075.96
TOTAL CURRENT ASSETS.....	\$3,810,881.31

AFFILIATED COMPANIES:

Accounts receivable.....	1,112.18
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INVESTMENTS AND OTHER ASSETS:

Investments:		
Capital stock of a parent company (approximate market value \$60,000.00).....	\$ 21,000.00	
Capital stock of City Stores Company—book carrying amount of 94 shares common stock.....	470.01	
Investments in other companies.....	55,201.10	
Post war refund of excess profits taxes—estimated.....	144,600.00	
Sundry accounts receivable, advances and cash in closed banks, less reserve of \$5,828.79...	11,501.34	232,772.45

INVESTMENTS IN SUBSIDIARY COMPANIES:

Maison Blanche Realty Company:			
Investment in 7,085 shares of common stock (representing 99.44% of outstanding stock)—at cost (Maison Blanche Company's proportion of net tangible assets as shown by this Company's balance sheet at January 31, 1945 amounted to \$1,393,039.22).....	\$ 894,575.00		
Account receivable.....	54,457.29	\$ 949,032.29	
B. Lowenstein & Bros., Inc.:			
Investment in 11,450 shares of common stock (its entire outstanding capital stock)—at cost (net tangible assets as shown by this subsidiary Company's consolidated balance sheet at January 31, 1945 amounted to \$2,012,958.20).....	\$2,219,411.38		
Account receivable.....	214.45	2,219,625.83	3,168,658.12

EQUIPMENT AND IMPROVEMENTS—AT COST:

Furniture, fixtures and equipment.....	\$1,002,334.09		
Less reserves for depreciation.....	654,544.20	\$ 347,789.89	
Improvements to leased property.....	\$ 273,368.79		
Less reserve for amortization.....	166,826.10	106,542.69	454,332.58

GOOD WILL—as stated on books.....	376,031.24
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses.....	107,473.12
	<u>\$8,151,261.00</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable.....	\$ 469,769.67
Accrued salaries, taxes and expenses.....	130,228.00
Federal and state taxes on income—estimated—Note B.....	\$1,655,000.00
Less United States tax notes purchased for payment of such taxes when due.....	601,440.00
TOTAL CURRENT LIABILITIES.....	\$1,653,557.67

RESERVES:

For self-insurance.....	\$ 22,639.30
For post war contingencies.....	75,000.00
	97,639.30

DEFERRED INCOME:

Unrealized gross profit and carrying charges on installment sales—Note C.....	37,447.81
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CAPITAL STOCK AND SURPLUS:

Capital stock:		
Common stock—par value \$50.00 per share:		
Authorized 120,000 shares; 80,000 shares issued.....	\$4,000,000.00	
Surplus:		
Capital surplus.....	\$ 250,000.00	
Earned surplus.....	2,112,616.22	6,362,616.22
		<u>\$8,151,261.00</u>

CONTINGENT LIABILITY:

As guarantor in realty leases of Maison Blanche Realty Company, the annual rent of which is \$8,000.00 plus insurance and realty taxes to September 30, 1971.

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past four fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1945 by \$316,588.14 and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$12,200.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including the matter referred to in Note A above which involves total tax liability of approximately \$175,100.00 for the four fiscal years ended January 31, 1945.

NOTE C—Commencing with the fiscal year ended January 31, 1945, the Company adopted the practice of deferring until realized the gross profit and carrying charges on installment sales. The effect on the balance sheet of this change in practice is not significant.

MAISON BLANCHE REALTY COMPANY

BALANCE SHEET

JANUARY 31, 1945

ASSETS

CURRENT ASSETS:

Cash	\$	20,083.25	
Accounts and notes receivable—tenants, less reserve of \$10,000.00 for doubtful....		14,316.56	
TOTAL CURRENT ASSETS.....	\$	34,399.81	

OTHER ASSETS:

Sundry accounts receivable and cash in closed bank, less reserve of \$6,766.34.....		3,835.59	
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LAND, BUILDINGS AND EQUIPMENT—AT COST:

Land.....	\$1,266,616.45		
Buildings, fixtures, equipment, etc.....	\$2,607,660.76		
Less reserves for depreciation.....	1,223,146.74	1,384,514.02	2,651,130.47

DEFERRED CHARGES:

Prepaid insurance, taxes and expenses.....		34,791.58	
		<u>\$2,724,157.45</u>	

LIABILITIES

CURRENT LIABILITIES:

Mortgage installments due in 1945.....	\$	60,000.00	
Accounts payable, including \$54,457.29 to an affiliated company.....		59,854.87	
Accrued interest, taxes and expenses.....		15,031.67	
Federal and state taxes on income—estimated—Note A.....		27,181.18	
TOTAL CURRENT LIABILITIES.....	\$	162,067.72	

LONG TERM OBLIGATIONS:

First Mortgage Notes—4%—maturing \$25,000.00 semi-annually on May 1st and November 1st, balance due May 1, 1949.....	\$1,175,000.00		
Less installments due May 1, 1945 and November 1, 1945 included in current liabilities above.....	50,000.00	\$1,125,000.00	
Purchase mortgage notes — 4½%—maturing \$10,000.00 annually on July 15, 1945 to July 15, 1948 and \$5,000.00 due July 15, 1949.....	\$ 45,000.00		
Less note due July 15, 1945 included in current liabilities above.....	10,000.00	35,000.00	1,160,000.00

DEFERRED PAVING ASSESSMENT:

Payable in installments subsequently to January 31, 1946.....		1,185.12	
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CAPITAL STOCK AND SURPLUS:

Capital stock:			
Common—par value \$100.00 per share:			
Authorized 7,500 shares.....	\$ 750,000.00		
Less 375 shares in treasury.....	37,500.00	\$ 712,500.00	
Earned surplus—Note B.....		688,404.61	1,400,904.61
		<u>\$2,724,157.45</u>	

NOTE A—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income.

NOTE B—Restricted in the amount of \$37,500.00 representing the par value of shares in the treasury.

LOVEMAN,
And its Subsidiary Company,
CONSOLIDATED
JANUARY

ASSETS

CURRENT ASSETS:

Cash.....	\$1,361,798.10
United States Government securities at cost and accrued interest.....	351,406.25
Accounts receivable—trade (including \$110,511.82 of installment accounts) less reserve of \$150,000.00 for doubtful.....	661,434.96
Merchandise inventories, less reserve of \$198,134.68—Note A.....	699,571.68
TOTAL CURRENT ASSETS.....	\$3,074,210.99

AFFILIATED COMPANIES:

Accounts receivable.....	27,006.64
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INVESTMENTS AND OTHER ASSETS:

Investments:

In parent company—at quoted market price (426 shares common stock of City Stores Company)....	\$ 4,260.00	
Sundry, less reserve of \$6,478.59.....	3,359.73	\$ 7,619.73
Post war refund of excess profits tax—estimated.....	46,150.20	
Cash surrender value of life insurance.....	45,691.71	
Sundry accounts receivable, etc.....	12,726.69	112,188.33

LAND, BUILDINGS AND EQUIPMENT—Note B:

Land.....	\$934,465.96	
Buildings, equipment, furniture, fixtures, etc.....	\$1,388,962.90	
Less reserves for depreciation.....	568,289.55	820,673.35
		1,755,139.31

GOOD WILL—as stated on books.....	800,000.00
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes, interest, etc.....	25,551.70
	<u>\$5,794,096.97</u>

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past four years had the effect of reducing the amount stated for inventories at January 31, 1945 by \$170,656.24, and reducing net profit for the year then ended (after taxes on income) by approximately \$4,000.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Land stated at cost paid for in cash or capital stock at time of organization; buildings, fixtures and equipment stated at cost less subsequent accruing depreciation.

JOSEPH & LOEB
Home Finance Corporation

BALANCE SHEET

31, 1945

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, including mortgage installments of \$1,014.57 due in 1945	\$	624,679.17	
Accrued salaries and taxes		138,251.98	
Federal and state taxes on income—estimated—Note F	\$1,304,906.75		
Less United States tax notes purchased for payment of such taxes when due	601,530.00	703,376.75	
TOTAL CURRENT LIABILITIES		\$1,466,307.90	

LONG TERM OBLIGATIONS:

First Mortgage 4%—on land, buildings and fixtures, due February 7, 1948, with semi-annual installment payments of \$20,000.00 each due February 7 and August 7	\$	545,000.00	
Real estate mortgage notes payable in 180 monthly installments of \$147.94 each, which includes interest at 4% per annum on the unpaid principal balance at date of payment (payable by subsidiary)	\$	17,169.96	
Less amount included in current liabilities as above	1,014.57	16,155.39	561,155.39

RESERVES:

For compensation, pensions, etc.	\$	174,073.57	
For post war contingencies	25,000.00	199,073.57	

CAPITAL STOCK AND SURPLUS:

Capital stock—par value \$100.00 per share:			
Preferred stock—7% cumulative—redeemable at \$120.00 per share—Note D:			
Authorized and issued 10,000 shares	\$1,000,000.00		
Less 7,403 shares in treasury	740,300.00	\$	259,700.00
Common stock:			
Authorized 20,000 shares	\$2,000,000.00		
Less unissued 3,780 shares	378,000.00	1,622,000.00	\$1,881,700.00
Surplus—Notes D and E:			
Capital surplus	\$	2,034.50	
Earned surplus	1,683,825.61	1,685,860.11	3,567,560.11
			<u>\$5,794,096.97</u>

NOTE C—All gross profit and carrying charges on installment sales are taken into income in year in which sales are made.

NOTE D—Accumulated unpaid and undeclared dividends at January 31, 1945 on the 7% cumulative preferred stock amounted to \$169,670.67, of which \$83,757.35 is applicable to preferred shares not owned by City Stores Company or its subsidiaries.

NOTE E—Restricted in the amount of \$740,300.00, representing the par value of preferred shares held in treasury.

NOTE F—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including matter referred to in Note A above which involves total tax liability of approximately \$131,200.00, for the four fiscal years ended January 31, 1945.

B. LOWENSTEIN & BROS., INC.
And its Subsidiary Company, Lowenstein's Home Service Incorporated
CONSOLIDATED BALANCE SHEET
JANUARY 31, 1945

ASSETS

CURRENT ASSETS:

Cash	\$1,099,221.21
United States Government securities at cost and accrued interest	201,500.00
Accounts receivable—trade (including \$79,780.98 of installment accounts) less reserve of \$52,000.00 for doubtful	681,105.40
Merchandise inventories, less reserve of \$100,000.00—Note A	811,609.50
TOTAL CURRENT ASSETS	\$2,793,436.11

AFFILIATED COMPANIES:

Accounts receivable	5,317.20
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INVESTMENTS AND OTHER ASSETS:

Sundry investments—less reserve of \$3,663.00	\$ 1.00	
Employees and sundry accounts receivable	4,684.71	
Post war refund of excess profits tax—estimated	78,900.00	83,585.71

PROPERTY, PLANT AND EQUIPMENT—AT COST:

Land	\$ 20,000.00	
Buildings, fixtures and equipment	\$1,242,077.02	
Less reserves for depreciation	803,072.96	439,004.06
Improvements to leased property	\$ 118,308.33	
Less reserve for amortization	59,079.74	59,228.59
		518,232.65

GOOD WILL—as stated on books	150,000.00
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses	39,242.66
	<u>\$3,589,814.33</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, including \$349.90 to affiliated companies	\$ 957,353.13
Accrued salaries, taxes and expenses	82,063.10
Federal taxes on income—estimated—Note B	\$ 891,100.00
Less United States tax notes purchased for payment of such taxes when due	620,226.00
	270,874.00

TOTAL CURRENT LIABILITIES	\$1,310,290.23
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RESERVES:

For special compensation and self-insurance	\$ 65,000.00	
For post war contingencies	25,000.00	90,000.00

DEFERRED INCOME:

Unrealized gross profit and carrying charges on installment sales—Note C	26,565.90
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CAPITAL STOCK AND SURPLUS:

Capital stock:		
Common stock—no par value, declared value \$100.00 per share:		
Authorized 15,000 shares; 11,450 shares issued	\$1,145,000.00	
Surplus:		
Capital surplus	\$ 414,719.33	
Earned surplus (since October 1, 1938)	603,238.87	1,017,958.20
		2,162,958.20
		<u>\$3,589,814.33</u>

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past four fiscal years had the effect of reducing the amount stated for inventories at January 31, 1945 by \$143,797.73, as compared with a reduction of \$146,298.24 at January 31, 1944. The resulting effect on the net profits (after taxes on income) for the year ended January 31, 1945, is to increase such net profits by approximately \$700.00. The provision for federal taxes on income has been made on the basis of using the principle "last-in, first-out" for inventory valuation which is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income, including the matter referred to in Note A above which involves total tax liability of approximately \$90,200.00.

NOTE C—Commencing with the fiscal year ended January 31, 1945, the Company adopted the practice of deferring until realized the gross profit and unearned carrying charges on installment sales. The effect on the balance sheet of this change in practice is not significant.

KAUFMAN-STRAUS COMPANY, INC.
And its Subsidiary Company, Homecraft Finance Corporation of Louisville
CONSOLIDATED BALANCE SHEET
JANUARY 31, 1945

CURRENT ASSETS:

ASSETS

Cash.....		\$	320,435.29
United States Government securities at cost and accrued interest.....			257,225.30
Accounts receivable—trade (including \$32,075.05 of installment accounts) less reserve of \$20,000.00 for doubtful.....			353,986.08
Merchandise inventories, less reserve of \$10,000.00—Note A.....			402,778.64
TOTAL CURRENT ASSETS.....			\$1,334,425.31

AFFILIATED COMPANIES:

Accounts receivable.....			3,988.29
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INVESTMENTS AND OTHER ASSETS:

Investments in other companies.....	\$	503.00	
Employee and sundry accounts receivable.....		2,181.39	
Post war refund of excess profits taxes—estimated.....		65,100.00	
Claim for refund of surtax on undistributed profits.....		9,122.47	76,906.86

FIXTURES, EQUIPMENT AND IMPROVEMENTS—Note B:

Furniture, fixtures and equipment.....	\$261,454.68		
Less reserve for depreciation.....	138,273.42	\$123,181.26	
Improvements to leased buildings.....	\$157,526.71		
Less reserve for amortization.....	52,800.44	104,726.27	227,907.53

GOOD WILL—as stated on books.....			419,343.80
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DEFERRED CHARGES:

Inventory of supplies, prepaid insurance, taxes and expenses.....			35,577.01
			<u>\$2,098,148.80</u>

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, including \$1,159.32 to affiliated companies.....	\$	427,811.30	
Accrued salaries, taxes and expenses.....		48,303.37	
Federal and state taxes on income—estimated—Note E.....	\$438,680.64		
Less United States tax notes purchased for payment of such taxes when due.....	300,200.00		138,480.64
TOTAL CURRENT LIABILITIES.....			\$ 614,595.31

DEFERRED INCOME:

Unrealized gross profits and carrying charges on installment sales—Note D.....			10,502.92
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RESERVE:

For post war contingencies.....			25,000.00
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CAPITAL STOCK AND SURPLUS:

Capital stock:

Preferred stock—7% cumulative—par value \$100.00 per share— Note C:			
Authorized and issued—10 shares.....	\$	1,000.00	
Preferred stock—5% cumulative—par value \$100.00 per share:			
Authorized 2,422 shares; issued 2,395 shares.....	\$239,500.00		
Less retired 1,550 shares.....	155,000.00	84,500.00	
Common stock—par value \$100.00 per share:			
Authorized and issued 8,000 shares.....	800,000.00		
		<u>\$885,500.00</u>	

Surplus:

Capital surplus.....	\$241,896.31		
Earned surplus since February 1, 1940—Notes C, D and E.....	320,654.26	562,550.57	1,448,050.57
			<u>\$2,098,148.80</u>

NOTE A—Inventories of merchandise on hand and in transit are valued on the retail inventory method, using the principle (applied on the basis of independent published indices of price changes) of "last-in, first-out" in determination of cost. Such basis, which has been adopted by the Company for the past four fiscal years, had the effect of reducing the amount stated for inventories at January 31, 1945, by \$77,261.45, and reducing net profit for the fiscal year then ended (after taxes on income) by approximately \$1,400.00. The provision for federal taxes on income has been made on the basis of using the principle of "last-in, first-out" for inventory valuation, and is subject to acceptance by the Commissioner of Internal Revenue.

NOTE B—Stated at sound values as determined in January, 1936, by The American Appraisal Company, plus subsequent additions at cost, less accruing depreciation and amortization.

NOTE C—Accumulated unpaid and undeclared dividends at January 31, 1945 on the 7% cumulative preferred stock amounted to \$980.00.

NOTE D—Commencing with the fiscal year ended January 31, 1945, the Company adopted the practice of deferring until realized the gross profit and carrying charges on installment sales. The effect on the balance sheet of this change in practice is not significant.

NOTE E—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal and state taxes on income, including the matter referred to in Note A above which involves total tax liability of approximately \$39,500.00 for the four fiscal years ended January 31, 1945, and for a certain State of Kentucky unemployment tax, successfully contested by the Company in the lower court and now pending in the Court of Appeals of Kentucky.

R. H. WHITE CORPORATION
BALANCE SHEET
JANUARY 31, 1945

ASSETS

CURRENT ASSETS:			
Cash.....		\$	630,660.67
Accounts receivable—trade (including \$347,008.67 of installment accounts) less reserve of \$40,584.96.....			1,195,218.90
Merchandise inventories—at lower of cost or market as determined by the retail inventory method and reserve of \$24,236.00.....			1,802,098.12
TOTAL CURRENT ASSETS.....			\$3,627,977.69
AFFILIATED COMPANY:			
Account receivable.....			3,000.00
INVESTMENTS AND OTHER ASSETS:			
War bonds for resale to public.....	\$	18,350.69	
Sundry investments.....		4,960.00	
Sundry accounts receivable.....		12,650.21	35,960.90
INVESTMENT IN WHOLLY OWNED SUBSIDIARY:			
Capital stock—at cost.....	\$	250,000.00	
Account receivable.....		497,986.64	747,986.64
FIXTURES, EQUIPMENT AND IMPROVEMENTS—AT COST:			
Furniture, fixtures and equipment.....	\$	315,188.08	
Less reserves for depreciation.....		5,436.65	\$ 309,751.43
Improvements to leased property.....	\$	22,399.47	
Less reserve for amortization.....		1,255.97	21,143.50
			330,894.93
DEFERRED CHARGES:			
Inventory of supplies, prepaid insurance and expenses.....			122,755.55
			<u>\$4,868,575.71</u>

LIABILITIES

CURRENT LIABILITIES:			
Notes payable—R. H. White Company.....	\$	450,000.00	
Accounts payable.....		377,687.54	
Accrued salaries, taxes and expenses.....		76,696.97	
Federal taxes on income of the period from December 19, 1944 to January 31, 1945—estimated—Note A.....		5,000.00	
TOTAL CURRENT LIABILITIES.....			\$ 909,384.51
RESERVE:			
For restoration of leased property.....			441,899.00
DEFERRED INCOME:			
Unearned carrying charges on installment sales.....			12,145.30
CAPITAL STOCK AND SURPLUS:			
Capital stock:			
Preferred 6% cumulative—par value \$100.00 per share:			
Authorized and issued 25,000 shares.....	\$2,500,000.00		
Common—no par value:			
Authorized and issued 10,000 shares.....	1,000,000.00	\$3,500,000.00	
Earned surplus.....		5,146.90	3,505,146.90
			<u>\$4,868,575.71</u>
CONTINGENT LIABILITY:			
Unused balances of letters of credit—\$7,800.00.			

NOTE A—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

R. H. WHITE REALTY COMPANY

BALANCE SHEET

JANUARY 31, 1945

ASSETS

CURRENT ASSETS:

Cash.....		\$	2,656.67
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PROPERTY AND EQUIPMENT—AT COST:

Land.....	\$1,469,013.88		
Buildings, fixtures, equipment, etc.....	\$1,095,705.72		
Less reserves for depreciation.....	6,111.85	1,089,593.87	2,558,607.75

DEFERRED CHARGES:

Organization expense.....	\$ 3,531.50		
Prepaid taxes.....	769.22		4,300.72
			<u>\$2,565,565.14</u>

LIABILITIES

CURRENT LIABILITIES:

Mortgage installments payable.....	\$ 42,000.00		
Accrued interest and taxes.....	18,069.78		
Federal taxes on income of the period from December 19, 1944 to January 31, 1945—estimated—Note A.....	4,200.00		
Account payable to R. H. White Corporation (parent company)....	497,986.64	\$	562,256.42

LONG TERM OBLIGATIONS:

Mortgage note—4%—payable \$30,000.00 annually—Maturity February 1, 1959.....	\$1,350,000.00		
Mortgage note—4¼%—payable \$12,000.00 annually—Maturity December 31, 1946.....	439,000.00	\$1,789,000.00	
Less installments included in current liabilities.....	42,000.00		1,747,000.00

CAPITAL STOCK AND SURPLUS:

Capital stock:			
Common, no par value:			
Authorized and issued 2,500 shares.....	\$ 250,000.00		
Earned surplus.....	6,308.72		256,308.72
			<u>\$2,565,565.14</u>

NOTE A—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

CITY STORES MERCANTILE COMPANY, INC.
BALANCE SHEET
JANUARY 31, 1945

ASSETS

CURRENT ASSETS:		
Cash.....		\$ 19,659.89
AFFILIATED COMPANIES:		
Accounts receivable.....		13,819.11
OTHER ASSETS:		
Sundry accounts receivable.....		1,620.76
EQUIPMENT—Note A:		
Furniture and fixtures.....	\$27,917.35	
Less reserve for depreciation.....	<u>22,425.26</u>	5,492.09
DEFERRED CHARGES:		
Unamortized leasehold improvements, prepaid insurance and expenses.....		7,766.36
		<u>\$ 48,358.21</u>

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable, including \$11,568.64 to affiliated companies.....		\$ 17,349.39
Accrued taxes and insurance.....		1,606.83
		<u>\$ 18,956.22</u>
TOTAL CURRENT LIABILITIES.....		\$ 18,956.22
CAPITAL STOCK AND SURPLUS:		
Capital stock—par value \$100.00 per share:		
Authorized 1,250 shares; issued and outstanding 250 shares.....	\$25,000.00	
Capital surplus.....	<u>4,401.99</u>	29,401.99
		<u>\$ 48,358.21</u>

NOTE A—Stated at cost paid for in capital stock at time of organization, plus subsequent additions at cost, less provision for accruing depreciation
NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

CAPITAL SURPLUS

BALANCE at January 31, 1945.....	<u>\$ 4,401.99</u>
No change during year.	

INCOME AND EXPENSES
Year Ended January 31, 1945

INCOME:		
Payments by subsidiary companies of City Stores Company for buying services—net	\$215,690.72	
Expenses (net).....	<u>215,690.72</u>	
	<u>\$ — 0 —</u>	

KENVILLE REALTY COMPANY
BALANCE SHEET
JANUARY 31, 1945

ASSETS

ACCOUNT RECEIVABLE:

Affiliated company	\$ 325.53
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LAND—Note A	\$50,000.00
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	<u>\$50,325.53</u>
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LIABILITIES

CURRENT LIABILITIES:

Real estate taxes	\$ 283.24
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Federal capital stock tax	7.29
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Kentucky license tax	35.00
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TOTAL CURRENT LIABILITIES	\$ 325.53
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CAPITAL:

Capital stock—par value \$100.00 per share:

Authorized and issued 500 shares	\$50,000.00	
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Earned surplus	-0-	50,000.00
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		<u>\$50,325.53</u>
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NOTE A—Stated at cost of \$70,000.00 paid for in cash, less subsequent adjustment of \$20,000.00 against capital surplus as of January 31, 1934.

NOTE B—This balance sheet is subject to adjustment, if any, upon final determination of liability for federal taxes on income.

KENTVILLE TRUST COMPANY
BALANCE SHEET
JANUARY 31, 1904

ASSETS

Amounts receivable from various sources \$100,000.00

Real estate owned 50,000.00

LIABILITIES

Capital stock 100,000.00
Surplus 50,000.00
Total 150,000.00

Capital stock 100,000.00

Surplus 50,000.00

Total 150,000.00

Assets 150,000.00

Liabilities 150,000.00

Total 300,000.00

Pub

ERNST & ERNST
19 RECTOR STREET
NEW YORK

BOARD OF DIRECTORS,
CITY STORES COMPANY,
WILMINGTON, DELAWARE.

We have examined the consolidated balance sheet of CITY STORES COMPANY and its subsidiaries and the balance sheets of the individual companies as of January 31, 1945, and the statements of profit and loss and surplus of CITY STORES COMPANY and the consolidated statements of profit and loss and surplus of that Company and its subsidiaries for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

Our examination included tests of accounts receivable of all companies by direct communication with a selected number of customers. We were present at stores at appropriate times during the taking of inventories and observed procedures followed by the companies in determination of quantities and made test counts of quantities.

In our opinion, the accompanying consolidated balance sheet and individual balance sheets and related statements of profit and loss and surplus present fairly the consolidated position of CITY STORES COMPANY and its subsidiaries and of the individual companies at January 31, 1945 and consolidated results of their operations and of the operations of CITY STORES COMPANY for the year in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

April 19, 1945.



LIT BROTHERS
Philadelphia, Pa.



LIT BROTHERS
Warehouse
Philadelphia, Pa.



R. H. WHITE CORPORATION
Boston, Mass.



MAISON BLANCHE CO.
New Orleans, La.



MAISON BLANCHE CO.
W. Carrollton, New Orleans, La.



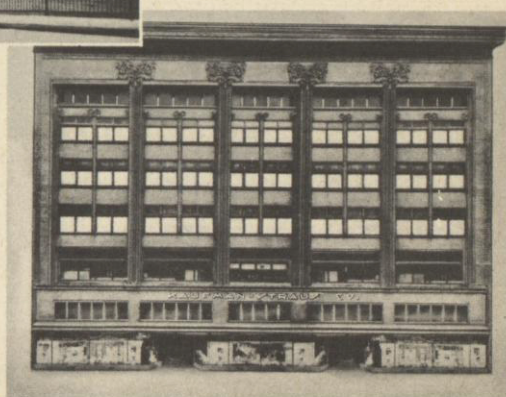
B. LOWENSTEIN & BROS., INC.
Memphis, Tenn.



R. H. WHITE CORPORATION
Warehouse
Cambridge, Mass.



LOVEMAN, JOSEPH & LOEB
Birmingham, Ala.



KAUFMAN-STRAUS CO., INC.
Louisville, Ky.

